

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
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FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
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TO USMISSION GENEVA
INFO AMEMBASSY BERLIN
AMEMBASSY BUDAPEST
AMEMBASSY HELSINKI
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

C O N F I D E N T I A L STATE 109859

E.O. 11652:GDS

TAGS: EEWT, ETRD, GATT

SUBJECT: FINNISH-EASTERN EUROPEAN FREE TRADE AGREEMENTS
IN THE GATT

REF: GENEVA 05937

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1. WE CAN UNDERSTAND THE CONVENIENCE TO THE GATT SECRE-
TARIAT AND TO MANY DELEGATIONS OF HOLDING WORKING PARTY
MEETINGS TO DEAL WITH SEVERAL FINNISH FREE TRADE AGREEMENTS
(FTAS) AT ONCE. THE OUTCOME OF GATT CONSIDERATION OF
THESE FTAS SEEMS LIKELY TO BE THE SAME FOR ALL OF THEM: FOR
OUR PART, WE SEE NO PROSPECT THAT THE U.S. WILL AGREE TO A
GATT ENDORSEMENT OF ANY OF THE FINNISH FTAS WITH EASTERN

EUROPE. YET FROM A WASHINGTON PERSPECTIVE, THE HOLDING OF A SINGLE GATT WORKING PARTY TO DEAL WITH SEVERAL FTAS AT ONCE WOULD APPEAR TO BE A TACTICAL MISTAKE, ESPECIALLY IN POLITICAL TERMS.

2. WE WANT TO AVOID ENCOURAGING EVEN THE APPEARANCE OF AN EASTERN EUROPEAN BLOC IN THE GATT. WESTERN COUNTRIES (INCLUDING THE U.S.) HAVE PROPERLY CONCENTRATED THEIR QUESTIONING AT PAST WORKING PARTIES ON FINNISH FTAS ON THE FEATURES OF EACH EASTERN EUROPEAN NONMARKET ECONOMY WHICH MAKE AN EFFECTIVE FTA WITH A MARKET-ECONOMY COUNTRY UNLIKELY. BUT BY DEALING WITH SEVERAL COUNTRIES AT ONCE, WE INCREASE THE LIKELIHOOD THAT WESTERN QUESTIONS WILL APPEAR TO THE EASTERN EUROPEANS AS AN EFFORT TO INDICT NONMARKET-ECONOMY COUNTRIES AS A GROUP. THE EC OR OTHER WESTERN CPS MAY EVEN BE TEMPTED TO PHRASE THEIR QUESTIONS IN GENERAL TERMS RATHER THAN ADDRESS THE SPECIFIC SITUATION IN EACH COUNTRY. IN PARTICULAR, WE WANT TO MINIMIZE THE EXTENT TO WHICH GATT CONTRACTING PARTIES (CPS) ARE PLACED ON THE DEFENSIVE TOGETHER WITH NON-CPS (BULGARIA, GDR) WHICH HAVE NO OBLIGATIONS TO THE GATT. EACH EASTERN EUROPEAN CP HAS DIFFERENT OBLIGATIONS TO THE GATT BASED UPON THE TERMS OF ITS ACCESSION, AND THE EFFECT OF THE FTAS ON THESE OBLIGATIONS SHOULD BE EXAMINED SEPARATELY.

3. WHERE EASTERN EUROPEAN ECONOMIC SYSTEMS DO DIFFER, WE
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WOULD HOPE THAT THE EFFECT OF THE FTA WORKING PARTIES -- TOGETHER WITH OTHER GATT WORKING PARTIES ON EASTERN EUROPEAN ISSUES -- WILL BE TO ENCOURAGE FURTHER INDIVIDUAL FOREIGN TRADE REFORMS MORE COMPATIBLE WITH THE GATT, SUCH AS INCREASING THE EFFECTIVENESS OF THEIR TARIFFS. SUCH INFLUENCE SEEMS LIKELY TO BE LESS EFFECTIVE IF WE DEAL WITH THESE COUNTRIES AS A GROUP, OR APPEAR TO DISMISS THEIR DIFFERENCES AS INCONSEQUENTIAL.

4. POLAND, OUR LARGEST TRADING PARTNER IN EASTERN EUROPE, SHOULD HAVE ITS FTA WITH FINLAND EXAMINED SEPARATELY, ESPECIALLY THE FIRST TIME IT COMES UNDER DISCUSSION. THE OBSCURE STATUS OF POLAND'S TARIFF, THE RECENT RELATIVE SHIFT OF POLISH TRADE AWAY FROM GATT CPS, AND POLAND'S SOMEWHAT GREATER PROSPECT OF SUBSTANTIAL TRADE WITH FINLAND ALL WARRANT SPECIAL ATTENTION, AND THOUGHTFUL EXAMINATION OF THE FTA BY THE GATT THIS FALL COULD BE USEFUL.

5. WE SEE LITTLE MERIT IN REVIEWING THE FINNISH-BULGARIAN FTA UNTIL BULGARIA PROVIDES THE INFORMATION REQUESTED. WE WOULD HOPE BULGARIA'S UNUSUAL UNCOOPERATIVENESS AT THE

LAST WORKING PARTY WOULD NOT BE REPEATED OR RUBBED OFF ON
EASTERN EUROPEAN GATT CPS.

6. THE STATUS OF HUNGARY'S TARIFF ENTITLES HUNGARY'S FTA
TO SEPARATE TREATMENT AS WELL, BUT WE SEE NO NEED TO RE-
CONSIDER IT IN THE IMMEDIATE FUTURE.

7. ACTION REQUESTED: PLEASE PROPOSE TO SECRETARIAT (AND
TO OTHER DELEGATIONS IF IT APPEARS NECESSARY) THAT FINNISH
FTA WORKING PARTIES BE HELD AT SEPARATE TIMES, ESPECIALLY
THE INITIAL WORKING PARTY MEETING ON THE FINNISH-POLISH
FTA. IF NECESSARY, WE WOULD BE WILLING TO HAVE THE CZECH
WORKING PARTY MEETING BEFORE THE SUMMER BREAK. VANCE

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